

Message Text

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ACTION CU-03

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TAGS: PFOR, FI, US

SUBJECT: FOREIGN MINISTER KARJALAINEN PROPOSES PUTTING
FINANCING OF EXCHANGE PROGRAM ON
PERMANENT BASIS

REF: KREHBIEL/RICHARDSON LETTER 11/27/74

DEPT FOR CU/RICHARDSON; EUR/HARMAN

1. DURING OUR DECEMBER 10 MEETING, FOREIGN MINISTER
KARJALAINEN PROPOSED THAT GOF AND USG EXPLORE POSSI-
BILITY OF PUTTING FINANCING OF ASLA EXCHANGE PROGRAM
ON A BASIS THAT WOULD ENSURE ITS CONTINUATION
PERMANENTLY. I URGE DEPT TO LAUNCH URGENT STUDY
KARJALAINEN PROPOSAL IN ADVANCE MY CONSULTATIONS.

2. KARJALAINEN SAID THAT FINLAND CONSIDERS ASLA
PROGRAM TO BE VERY IMPORTANT AND WOULD LIKE TO SEE
IT CONTINUE UNDIMINISHED AFTER 1984, WHEN REPAYMENTS
OF FINNISH WWI LOAN WOULD NORMALLY COME TO AN END.

3. KARJALAINEN THEN OUTLINED HIS PROPOSAL AS FOLLOWS:

(A) GOF WOULD REPAY IN FULL OUTSTANDING AMOUNT OF
ASLA DEBT, PROBABLY IN 1975 (ABOUT TEN MILLION
FINNISH MARKS OR CLOSE TO THREE MILLION DOLLARS).

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IT IS PRESUMED THERE WILL BE NO PENALTY FOR ADVANCE

REPAYMENT; (B) REPAYMENT WOULD BE IN FINNISH MARKS; (C) REPAYMENT WOULD BE PUT INTO A SPECIAL FUND TO BE ESTABLISHED IN FINLAND; (D) FUND WOULD INVEST THE MONEY IN SAFE LONG-TERM INVESTMENTS IN FINLAND (EARNING AN EXPECTED EIGHT TO TEN PERCENT INTEREST PER YEAR); (E) ANNUAL INTEREST EARNINGS (CONVERTED INTO DOLLARS AS NEEDED) WOULD BE USED TO FINANCE THE EXCHANGE PROGRAM IN PERPETUITY (INTEREST EARNINGS WOULD BE SAME ORDER OF MAGNITUDE AS CURRENT ANNUAL PAYMENT OF DOLLARS 350,000).

4. KARJALAINEN SAID THAT PROPOSAL HAS NOT BEEN TAKEN UP FORMALLY WITHIN THE FINNISH GOVERNMENT, BUT LEFT NO DOUBT IN MY MIND THAT HE COULD DELIVER ON HIS PART.

5. IN ANY CASE PROPOSAL SHOULD BE LOOKED UPON NOT IN TAKE IT OR LEAVE IT TERMS, BUT RATHER AS AN HONEST AND SERIOUS WISH ON PART OF GOF TO EXPLORE WITH US POSSIBILITIES FOR SOLVING A LONG-TERM MUTUAL PROBLEM.

6. ALL DIRECTLY CONCERNED MEMBERS OF COUNTRY TEAM FEEL THAT PROPOSAL MERITS MOST SERIOUS CONSIDERATION BY USG AND RECOMMEND THAT ALL POSSIBLE AVENUES FOR ACCOMPLISHING INTENT OF IT BE EXPLORED EXHAUSTIVELY. WEREALIZE THAT THERE MAY BE TECHNICAL AND POSSIBLY POLICY PROBLEMS TO SOLVE, BUT FEEL THAT BECAUSE OF IMPORTANCE ASLA PROGRAM IN PROMOTING US OBJECTIVES THESE PROBLEMS SHOULD AND CAN BE OVERCOME WITHIN USG AND /OR THROUGH NEGOTIATIONS WITH GOF.

7. AS DEPT KNOWS, WE HAVE GRAPPLED FOR YEARS WITH QUESTION OF HOW TO CONTINUE ASLA EXCHANGE PROGRAM AFTER 1984. WE HAVE ALL DONE SO BECAUSE OF IMPORTANCE ATTACHED TO PROGRAM AS SUCH, VISIBILITY IT HAS PROVIDED OF US INTEREST IN FINLAND'S WELL BEING, AND GOOD WILL IT HAS EARNED US AMONG THOUSANDS OF LEADING FINNS.

8. IT IS THEREFORE GRATIFYING AND OF GREAT POLITICAL LIMITED OFFICIAL USE

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IMPORTANCE TO OUR RELATIONS WITH FINLAND WHEN KEY FIGURE LIKE FOREIGN MINISTER KARJALAINEN PRASIES VALUE OF PROGRAM AND TAKES INITIATIVE TO TRY TO ENSURE ITS CONTINUATION ON A PERMANENT BASIS.

9. WE SEE BENEFITS TO BOTH US AND FINLAND IN PROPOSAL. US WOULD BENEFIT FIRST OF ALL BY CONTINUATION OF ASLA PROGRAM AFTER 1984. THERE IS NO

QUESTION BUT THAT FINNS ALSO CONSIDER PROGRAM TO HAVE BEEN BENEFICIAL AND FEEL THAT THEY WOULD BENEFIT EQUALLY MUCH FROM ITS CONTINUATION. PUBLIC REARRANGEMENT OF PROGRAM TO A PERMANENT ONE WOULD BENEFIT US BY UNDERLINING ITS INTEREST IN FINLAND, AND BENEFIT FINLAND BY PROVIDING A NEW TIE TO WEST, BY HELPING TO EVEN SLIGHTLY BALANCE FINLAND'S TIES WITH EAST. AN AGREEMENT COULD POSSIBLY BE SIGNED DURING ANY HIGH LEVEL VISIT IN EITHER DIRECTION THAT MIGHT COME ABOUT, OR AS A JOINT BICENTENNIAL CELEBRATION ANNOUNCEMENT.

10. KARJALAINEN PROPOSAL IN EFFECT MEANS GOF READY PAY OFF ITS 3PERCENT DEBT TO US AND LET EXCHANGE PROGRAM INVEST MONEY AT 8TO 10PERCENT. GOF WILLINGNESS GIVE UP LOW-INTEREST LOAN DEMONSTRATES GOF POLITICAL INTEREST IN CONTINUING EXCHANGE PROGRAM WITH US. WE HOPE US WILL BE ABLE MAKE SIMILAR POLITICAL GESTURE BY CONSENTING TO CONVERTING DEBT TO FINNMARKS. (WE NOT FINNMARK CURRENTLY RISING RELATIVE TO DOLLAR). WE ARE CONFIDENT WE CAN OBTAIN FROM GOF ADEQUATE GUARANTEES ON SANCTITY OF PRINCIPLE AND ON CONTROL OVER AND CONVERTABILITY OF INTEREST.

11. ACTION REQUESTED: THAT DEPT GIVE SERIOUS AND FAVORABLE CONSIDERATION TO PROPOSAL PUT FORWARD BY FOREIGN MINISTER KARJALAINEN. THAT DEPT EXPLORE WHAT ACTION IS NEEDED WITHIN EXECUTIVE BRANCH AND/OR CONGRESS FOR REALIZATION OF IT. THAT MATTER BE PURSUED EITHER DURING MY JANUARY CONSULTATIONS OR BY EMBASSY HERE FURTHER EXPLORING IT WITH KARJALAINEN.

KREHBIEL

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